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AND FINANCE

able choice can be made among them, the investment should be restricted to First Mortgage Bonds in gold or sterling at fixed rates of exchange; the question of local taxation should be inquired into: the powers (if any) of the Government to assume the lines at a subsequent date, and the terms of purchase; and generally, although many railways are of excellent standing and character, the subject is too extensive and complicated for minute advice in this book. The intending investor, if disposed to accept such securities, should either possess adequate personal knowledge of the financial history of the companies, or be guided by one who has devoted special attention to the class.

(2) *American Railways.* I have already dealt with this section. I cannot too emphatically insist upon the essential element here, and in all transactions, of honourableness of character exhibited by the controllers and administrators of the undertakings considered. We want intellect in the form of specialised knowledge and practical judgment, if success is to be achieved, but equally it is imperative to find moral character embodied in every arrangement and obligation, and in the direction of the enterprise for the benefit of the whole constituency concerned, untainted by preferential treatment of the few. The remark is a general one, and applies to all commercial and industrial undertakings—that an adequate estimate of a company's operations, and the consequent advisability of investment, can only be formed by an examination of a series of accounts and balance sheets; the stability, as a reflex of sound management, exhibited in the record of the prices of its shares in the market, and general repute. This inquiry demands special aptitude which the customary investor cannot usually possess, or devote the

time and training to acquire, and hence, here and elsewhere, he must be guided by external advice if he invest.

(3) Similar remarks appertain to *Railways in the British Possessions*.

(4) It may generally be advised that, as a rule, Bonds, not registered but with coupons attached, should, on account of the difficulty of defining the owner's position in the contingency of loss or theft, be avoided.